



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1775 (1910)

July 18, 1988

SUBJECT: Meeting Prompt Approval and Prompt Loan Closing
Requirements for Farmer Program Loans

TO: State Directors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to eliminate confusion and assure uniformity in meeting statutory time requirements for the approval and closing of Farmer Programs loans.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN Number 1638 (1940), dated August 13, 1987.

IMPLEMENTATION RESPONSIBILITIES:

Section 1312(a) of the Food Security Act of 1985 requires that the Secretary will approve or disapprove an application for a loan or loan guarantee and notify the applicant of such action not later than 60 days after a complete application has been received for such a loan or loan guarantee. This Section of the Act further requires that, if an application for an insured loan is approved, the Secretary will provide loan proceeds to the applicant within 15 days. The Act also states that, if there are not enough funds available, the loan proceeds shall be provided to the applicant as soon as practicable (but not later than 15 days, unless the applicant agrees to a longer period) after funds become available.

Questions continue to arise from field personnel on the method of approval during periods when funds are not available, and on meeting the 15-day loan closing/disbursement deadline when legal title work may be incomplete or other actions which the borrower needs to take to allow loan closing/disbursement to take place are not completed in time.

EXPIRATION DATE: June 30, 1989

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1910-A



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

A loan is considered approved when Form FmHA 1940-1, "Request for Obligation of Funds," is executed. Therefore, in order to meet the requirement of prompt approval in situations where funds are temporarily exhausted, the 1940-1 must be executed. It is not sufficient to take the application to the County Committee and process it up to the point of approval. The Form will be executed and an approval condition will be inserted, verbatim, under Section 41 of Form 1940-1, "Comments and Requirements of Certifying Official," for all insured and guaranteed Farmer Programs loans, as follows:

"This loan/guarantee is approved subject to the availability of funds. If this loan/guarantee does not close/get issued for any reason, within 90 days from the date of approval on this document, the approval official may request updated eligibility information. The undersigned loan applicant agrees, provided the applicant continues to remain eligible for loan assistance, that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds."

When funds become available, the approval official should immediately ask the applicant for such updated eligibility information as the approval official believes is necessary. That information must be reviewed within 14 working days and Form FmHA 1940-1 submitted to the Finance Office, if the applicant is still eligible. The attached letter will be mailed to all insured loan applicants whose requests for assistance have been approved subject to the availability of funds.

In the case of guaranteed loans, where guarantee authority has been exhausted, the Conditional Commitment for guarantee will not be executed until such time as guarantee authority has been reserved in connection with in guarantee request.

In order to meet the statutory 15 day requirement of loan closing and disbursement, where legal/title work may be delayed or funds are unable to be provided because the applicant needs to complete other actions necessary to permit loan closing to occur, language will be included on Form FmHA 1940-1 for insured loans, as follows:

"If loan closing is delayed beyond 15 days after loan approval for the completion of lien/title work or other actions which the applicant needs to take to allow loan closing to take place, the undersigned applicant agrees that the 15 day loan closing requirement may be exceeded."

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It is not the intent of this AN to circumvent the statutory requirements for prompt approval and prompt delivery of loan funds. Field personnel are herewith instructed that applications should continue to be processed in accordance with the timeframe requirements set forth in FmHA regulations.



VANCE L. CLARK
Administrator

Attachment

1775(1910)

UNITED STATES DEPARTMENT OF AGRICULTURE
Farmers Home Administration
(location)

Dear _____:

Your application for Farmers Home Administration (FmHA) services has been favorably considered by the FmHA Area/County Committee. The loan approval official has determined that your plan of operation is feasible. However, the Agency has temporarily exhausted its appropriation of funds for the type(s) of loan(s) you have requested. Therefore, your loan has been approved subject to the availability of such funds.

Your loan application will remain on hand in an approved status, unless you wish to withdraw it. At the time funds become available for your request loan, you will be notified. If there have been any significant changes in your application information since it was originally filed, your eligibility will have to be reestablished at that time. This may require your submission of updated financial information.

If you have any question regarding the status of your application, please contact this office.

County Supervisor